GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

Industries & Commerce Department – Policy to mitigate stress and to revive Stressed MSMEs– Stressed Enterprises Policy 2018-20- Orders- Issued.

INDUSTRIES & COMMERCE (PROG.I) DEPARTMENT

G.O.Ms.No.8 Dated: 09.01.2019

Read the following:

1. G.O.Ms.No.203, Ind. & Com. (SPIU) Dept., Dt.20.07.2006.
2. G.O.Ms.No.108, Ind.& Com. (P&I) Dept., Dt. 14.11.2015.
3. From the Director of Industries, A.P., file No.20029/7/2017-I&I II-DOI.

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ORDER:

In the G.O 1st read above, Government have instituted Andhra Pradesh Small Scale Sick Industries Revival and Rehabilitation Scheme 2006 to support revival of sick industries.

2. In the G.O. 2nd read above, Government have issued Operational Guidelines to Micro Small Medium Enterprises Policy 2015-20 (MSME Policy 2015-20) which provided various incentives to the MSMEs (Micro Small Medium Enterprises).

3. The Director of Industries, Andhra Pradesh in the letter 3rd read above, has submitted the draft Stressed Enterprises Policy 2016-20.

4. Government after careful examination of the proposal of Director of Industries, Andhra Pradesh, hereby institute a new Policy to Mitigate Stress and to revive stressed MSMEs titled Stressed Enterprises Policy 2018-20 which is appended to these orders in Annexure. The operating period of this policy is with effect from the date of notification and until 31st March 2020.

5. The Commissioner of Industries, Andhra Pradesh is requested to take necessary action as per this policy and also draft necessary operating Guidelines for this policy.

6. This order is issued with the concurrence of Finance Department vide their U.O. No.45027/233/2017-FMU(I&C) Department, dt. 09.12.2018.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

SOLOMON AROKIARAJ
SECRETARY TO GOVERNMENT & CIP

To
The Commissioner of Industries, A.P., Vijayawada.
The Chief Executive Officer, A.P. MSME Development Corporation.
The Commissioner of Printing and Stationary, A.P, Vijayawada (5 copies),
with a request to publish the Order in Extraordinary Gazette and furnish 100 copies to Government.

Copy to: All District Collectors.
The Regional Director, Reserve Bank of India, Regional Office, Saifabad, Hyderabad.
Convener of State Level Bankers Committee, Vijayawada.
The G.A (Cabinet) Department.
The Revenue (CT& Excise) / Revenue (LA) Department.
The LET & F Department.
The Energy, I&I Department.
The Social Welfare Department.
The Finance (FMU, I&C) Department.
The Law Department.
The Ind. & Com. (P&I, Infra) Department.
P.S to Prl. Secretary to Hon'ble C.M.
P.S. to Hon'ble Minister for Industries.
P.S to C.S. to Government.
P.S. to Secretary & CIP.
Sf/Sc

//FORWARDED::BY ORDER//

SECTION OFFICER

APPENDIX

to G.O.Ms. No.8, Ind.& Com. (Prog.I) Department, dt. 09.01.2019

Stressed Enterprises Policy

Mitigating Stress and Reviving Stressed MSMEs

DEPARTMENT OF INDUSTRIES & COMMERCE
GOVERNMENT OF ANDHRA PRADESH

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Ref: G.O.Ms.No.108, Industries and Commerce (P&I) Department dt: 14.11.2015.

1 BACKGROUND

(1) Micro, Small and Medium Enterprises (MSMEs) contribute up to 35% of India's GDP, 45% of the Industrial Output and 40% of exports. It generates more than 10 times the number of jobs created for every unit of investment by large and mega enterprises. Experience of Andhra Pradesh in past few years validates this trend. Given this potential, development of MSME sector is paramount to reaping the demographic dividend and fostering socio-economic development of state and country.

(2) In line with this emphasis, the Government of Andhra Pradesh has formulated a Micro, Small and Medium Enterprises Policy 2015-20 with targets for investments -Rs. 15,000 Crores and employment generation - 3,50,000 by 2020. Accordingly, the policy has provided for various incentives.

(3) However, while new enterprises are being set up, there is a significant amount of stress in the sector, reflected in terms of inability to honor credit commitments on time, loss of net worth due to a gamut of issues, both internal as well as external to the enterprises. Given the significant role played by MSMEs in economic development, it is imperative that the Government makes all efforts necessary to address the stress in the sector as well as prevent any additional stress in the sector to the extent feasible.

(4) Vide G.O.Ms. No. 203, Industries & Commerce (SPIU) Department dated 20th July 2006, Government of Andhra Pradesh has instituted a scheme to support revival of Sick Industries. However, due to certain conditions stipulated in the scheme that a Bank should declare the enterprise sick and recommend to Government for necessary remedial action, the utilization of this scheme has been very minimal.

(5) In contrast to earlier scheme, this policy aims to provide timely support to stressed MSMEs before they become sick. Accordingly, the criterion of 25% drop in networth for recognizing stressed enterprise has been adopted as opposed to Reserve Bank of India (RBI) criterion of 50% drop in networth for recognizing sick enterprise. Further, this policy is aimed at not only supporting revival of stressed enterprises but also preventing stress to the extent feasible. Accordingly, this policy identifies factors that can lead to sickness and provides for measures to address those issues.

2 POLICY OBJECTIVES

(6) Main objectives of this policy are:

a. Instituting necessary measures to reduce stress in the MSME sector and promote the development of a healthy MSME ecosystem
b. Preventing loss of employment due to stressed MSMEs
c. Preventing loss of utility of investments already made in the sector

3 OPERATING PERIOD

(7) The operating period of this policy is with effect from the date of notification and until 31st March, 2020.

4 DEFINITIONS

(8) Key terms used in the policy are defined as follows:

(a) **Micro, Small and Medium Enterprises (MSMEs)** refer to MSMEs as defined in Micro, Small and Medium Enterprises Development Act, 2006 and as amended from time to time.

(b) **Stressed Enterprise** refers to any MSME in which there is erosion in its Net Worth due to accumulated losses to the extent of at least 25% of its Net Worth during its previous accounting year.

(c) **Eligible Stressed Enterprise** refers to any Stressed Enterprise that fulfills the conditions laid out for drawing benefits under this policy.

(d) **Net Worth** is as defined by Reserve Bank of India (RBI) and as amended from time to time and for purposes of this policy, net worth computation may be done at any point of the year.

(e) **Cluster** refers to a group of MSMEs located within an identifiable and as far as practicable, contiguous area, producing same/ similar/ complementary product/services.

(f) **Stressed Cluster** refers to more than 30% of the units in the cluster being classified as Stressed Units

(g) **Stressed Sector** refers to more than 30% of the units pertaining to this sector in the state being classified as Stressed Units.

5 PREVENTING STRESS IN THE MSME SECTOR

(9) Sectoral Performance Tracking System:

(a) A tracker system shall be instituted to provide information relating to sector –wise, region-wise entrepreneurship rates, stress rates, exit rates. This system will be available to public so that entrepreneurs can make realistic assessment of the prospects of their envisaged ventures.

(b) The tracker system will also attempt to integrate the databases of financial institutions, tax payments, utility, bill payments etc., to track the regularity of such payments for detecting early stress.

(c) This system, in due course, will be extended to potential entrepreneurs to provide information related to their tax and utility payments for generating credibility histories to enable easy access to credit with limited collateral requirements.

(10) Project Preparation cum Appraisal Facility: A Project Preparation cum Appraisal Facility will be instituted at district level to advise entrepreneurs setting up new enterprises or undertaking diversification/expansion of existing enterprises.

(11) Entrepreneurial Development Programmes: All entrepreneurs without prior business experience setting up MSMEs will be provided appropriate training before setting up their enterprises, where needed and applicable. For this, partner agencies/institutions will be enlisted based on suitable criteria to be developed for this purpose.

6 INTERVENTIONS AT STRESSED ENTERPRISES LEVEL

(12) Eligible Stressed Enterprises: The Eligible Stressed Enterprises shall fulfill the following criteria:

(a) The cumulative investment in plant & machinery by the Enterprise should be below the limits specified for eligibility as MSME under Micro, Small and Medium Enterprises Development Act 2006.

(b) The Enterprise should be a Stressed Enterprise - an MSME in which there is erosion in its Net Worth due to accumulated losses to the extent of at least 25% of its Net Worth during its previous accounting year.

(c) The Enterprise should be from an industry/sector that is eligible for incentives under extant policies of Industries & Commerce Department.

(d) The Enterprise should not have indulged in diversion or siphoning of funds as defined by Reserve Bank of India.

(13) District Industries Promotion Committee (DIPC) set up vide reference cited, with participation of concerned banks, shall determine the eligibility of Stressed Enterprises under this Policy, based on a broad criteria that

(a) The enterprise has become stressed primarily due to external factors that are not under the control of the Enterprise.

(b) The enterprise presents to DIPC a time-bound revival plan if they receive the benefits under this policy.

(14) Processing of Pending Incentives to Eligible Stressed Enterprises:

(a) Immediate Disbursement of Pending Incentives: Any incentive under extant industrial policies that is sanctioned by competent authorities but not yet disbursed to the Eligible Stressed Enterprise, shall be disbursed on immediate priority basis without regard to seriatim basis or break in production, in supersession to guidelines issued in G.O.Ms.No.108, Industries and Commerce (P&I) Department, dated 14.11.2015.

(b) Immediate Sanction of Pending Incentive Applications: Any incentive applications under extant industrial policies filed by the Eligible Stressed Enterprises but are still pending for approval shall be immediately taken up by competent authorities and such sanctioned amounts shall be disbursed on immediate priority basis

without regard to seriatim basis or break in production, in supersession to guidelines issued in G.O.Ms.No.108 Industries and Commerce (P&I) Department, dated 14.11.2015.

(15) Financial Support to Eligible Stressed Enterprises: The eligible Stressed Enterprises shall be provided the following incentives:

(a) Payment of Employee Dues: Any dues to employees from Eligible Stressed Enterprises for a maximum period of 6 months will be paid directly to such employees who have been employed by Eligible Stressed Enterprises for a period of at least one year preceding their application date for benefits under this policy.

(b) Deferral of Electricity Dues: Eligible Stressed Enterprises may avail the option to defer payment of their electricity dues by one year. Any interest foregone by Electricity Distribution Companies shall be paid to them directly, under this policy.

(c) Payment of Interest Dues: Any pending interest dues for a period not more than 6 months shall be paid directly to the financing institution, under this policy.

(d) Future Interest Subsidy: The Stressed Enterprise shall be reimbursed 100% of interest paid against loans given by financing institution to aid in revival of the Enterprise for a period of 12 months and at a maximum interest rate of 12%.

(e) Limit on Maximum Benefits: The sum of i) Payment of Employee Dues ii) Interest foregone by Electricity Distribution Companies, iii) Interest dues to the bank and iv) Future interest subsidy provided under this policy shall not exceed

(i) 25% of cumulative investment in plant & machinery made by the Stressed Enterprises

(ii) Or 30% of cumulative investment in plant & machinery made by the Stressed Enterprises if the Stressed Enterprise has been profitable in at least two years of the immediately preceding four-year period to the date of becoming stressed.

(iii) If the eligible benefits under this Policy exceed the limit provided, DIPC shall be competent authority to decide the proportion of the above four benefits that should be given to the Stressed Enterprises.

(16) Delayed Payments: The cases of delayed payments from large industries in regard to supply of goods and services from Stressed MSMEs will be dealt with, on priority basis, interalia, through Micro and Small Enterprises Facilitation Council.

(17) Healthy Labour Relations: The Labour department shall take pro-active action for amicable settlement of disputes between management and

representatives of labour so as to ensure success of the Revival Plan with the cooperation of the workers.

(18) Supporting Stressed Enterprises and Preventing Coercive Actions: DIPC shall ensure all efforts are made to support the revival of Eligible Stressed Enterprises. Amongst others, it shall take necessary steps to ensure that Financial Institutions cognize the benefits under this policy and do not take coercive measures so as to provide an opportunity for revival to stressed enterprises.

7 INTERVENTIONS AT STRESSED CLUSTER LEVEL

(19) In addition to the provisions for Stressed Units, a Stressed Cluster will be subsidized for hiring a Consultant to provide revival services to the Cluster as a whole, to reap possible economies of scale in establishing forward and backward linkages.

8 INTERVENTIONS AT STRESSED SECTOR LEVEL

(20) In addition to the provisions provided for Stressed Units and Stressed Sectors, studies will be undertaken by the Government to address the root causes for Stress in the Sector and appropriate interventions will be instituted.

9 PHOENIX AWARD

(21) An annual award "Phoenix Award" will be instituted to recognize efforts of entrepreneurs whose enterprises were stressed/sick and were revived successfully.

10 ANNUAL REVIEW

(22) There will be an annual review of the effectiveness of this policy.

11 REPLACING PREVIOUS REVIVAL SCHEME

(23) This policy shall replace the Andhra Pradesh Small Scale Industries Revival Scheme, 2006 issued through G.O.Ms.No. 203, Industries & Commerce (SPIU) Department dated 20th July 2006 and any other orders/circulars/memos related to this subject.

12 DETAILED OPERATING GUIDELINES

(24) Detailed Operating Guidelines will be issued after due consultation with all stakeholders involved.

SOLOMON AROKIARAJ
SECRETARY TO GOVERNMENT & CIP